

## **UPDATE ON PBC – SEPT 02**

In June, a Proof on Concept was presented to the senior leadership of the PBC project. In addition, the SAF/IA and AFSAC live models, model design specifications and dictionaries were delivered. Starting in July, the Air Force KPMG Consulting Team took the PBC show on the road. We have made initial visits to the ALCs and three Product Centers (AAC, ASC and ESC). Currently, we are in the process of returning to capture the initial data required to build the AFMC static model.

### **PBC Events**

#### **Jul 02 – Oct 02**

- Capture initial data and develop data feeds from ALCs and Product Centers.
  - 15 & 22 Jul WR-ALC
  - 22 & 29 Jul OC-ALC
  - 5 & 12 Aug AAC
  - 12 Aug & 7 Oct ESC
  - 26 Aug OO-ALC
  - 30 Sept ASC

#### **Oct 02 – Nov 02**

- Consolidate ALC and Product Center data into AFMC static model
- Begin live data collection at AFMC ALCs and Product Centers
- Collect data to build AFSAT static ABC model
- Validate AFSAT static model
- Create AFSAT FY03 live model
- Develop AFSAT reporting requirements and formats

#### **Oct 02 - Apr 03**

- Finalize AF & AFMC roll-up models
- Integrate PBB-PBC

## **Proof of Concept – 10 June 02**

During the November 17, 2001 PBC Executive Steering Committee, all attendants agreed that a “Proof-of-Concept” demonstration should occur in order to cover two major items. First, the ESC wanted KPMG Consulting to demonstrate that the models being built were capable of rolling up to their activities and related costs to the DSCA FMS Core Functions under the Corporate Activity Dictionary Structure. The second goal was to demonstrate the basic system and the web-based corporate level reporting capability. In essence, the “Proof-of-Concept” would serve as an important milestone to ensure that the initial system build-out and associated corporate-level core requirements were met. The demonstration would be a high-level view of the system's basic functionality and user interface.

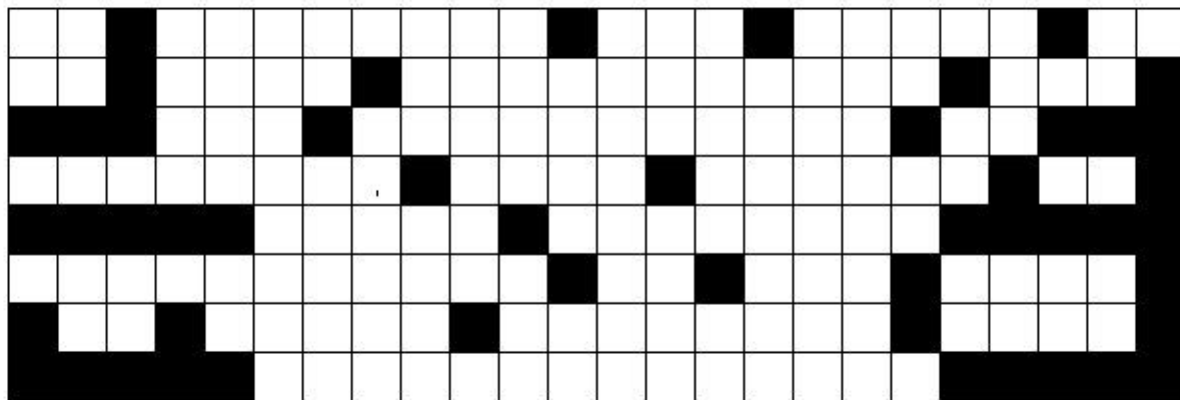
On June 10, 2002, the “Proof-of-Concept” took place at the KPMG Consulting Broadband Solution Center in McLean, Virginia. The demonstration incorporated the following items:

- Enterprise, Web-based Reporting capability of Cognos Series 7 using MILDEP specific and DSCA corporate level data. Cognos Enterprise Power Cubes were created to allow viewing of each model and corporate level roll-up. There were ten standard reports presented.
- Data at various levels (i.e., individual organization's models, MILDEP or DSCA corporate, and overall corporate) were presented for viewing and reporting purposes. It is important to note that it was a static test. The presented rolled-up model data as reported at the overall corporate level should not be used for comparisons across MILDEPs.
- KPMG Consulting demonstrated transformation of data from Oros to database to Cognos cube
  - 1) Showed migration of one Army Oros model to Army Headquarters database using a “Stored Procedure”
  - 2) Demonstrated “Stored Procedure” for populating Corporate database from Army Headquarters database
  - 3) Showed fully populated Corporate database
  - 4) Demonstrated use of Cognos Impromptu to generate database catalog
  - 5) Demonstrated use of Cognos Transformer to create Cognos Enterprise Power Cubes
- The results are as follows:

- The Dry-Run system will meet the basic requirements of the PBCIS as previously documented.
- Approved Cost Objectives will be satisfied.
- The week of September 16<sup>th</sup> a Proof-of-Concept was held in Dayton, Ohio demonstrating the abilities of the Air Force PBC models.

## Fallen Phrase Puzzle

A fallen phrase puzzle shows the spaces for a statement or phrase. The letters are directly below the column in which they will fit, but jumbled within the column.



H Y O L  
 G A R T I A N E T M O  
 E L S I C R P A O N U A I T  
 N O H T E G E O S E O E T E G S E D F R  
 I E M E E A M I H C S U R S R N U I N O S T  
 T F F T R N D A A C N E C R M H A O E O G S E  
 B O R G A A I T E N I R T C R T H T L C F B H  
 I A F H T M D V I N H O V G A A B E N B U O T O

## Thoughts for PBC Effort Participants

In continuing this segment of the newsletter, another participant in the PBC efforts has volunteered to share her thoughts and experiences. Ms. Judy McCoy, AFSAC/CCS, is a member of the Air Force PBC Core Team. She has been actively involved since the beginning of the PBC effort

**Q: What was your experience with Activity-Based Costing (ABC) / Performance-Based Costing (PBC) prior to your work on the Air Force (AF) PBC efforts?**

A: I came into AFSAC in 1999 just as an initial ABC effort was getting underway. The AFSAC Business Costing Committee (BCC) had been established under the leadership of Vivian Nash-Kirk, who was Acting Director of Operations Management at the time. The stated purpose of the group was to capture the cost of business for resource allocation, manpower requirements, and budget development. The BCC had representatives from the Country Management and Information Technology Directorates as well. At that time, I represented the Financial Operations Division.

The BCC made phenomenal progress in a short amount of time. AFSAC's IT organization developed an ORACLE application for data collection. The rest of the committee developed a process/function/sub-function/activity/task model that focused on the primary business processes – case development and case execution. After collecting several quarters of data the activity model was expanded to include Other International and Management/Administrative Activities. Eventually, almost all of AFSAC was participating in 20 days of data collection each quarter. The ABC effort became too much for an ad hoc committee to handle, and center leadership assigned the duties of the BBC to the newly formed Strategic Planning Office in 2001. Shortly afterwards, I took over as chief of that office.

Although we had 10 quarters of labor hour activity by the Oct 01, we did not have a fully operational ABC model, because we lacked cost objects and resource and activity drivers. We did not have the resources to complete the model until the Security Assistance PBC effort came into being.

Additionally, I was involved in the later stages of development of an ABC model for AFMC's Product Support Mission Area (PSMA). FMS is a fraction of the PSMA business, so we had to map our activities to those identified for the rest of the command.

**Q: How have you been involved in the AF PBC modeling effort to date?**

A: I've been the AFSAC lead for PBC and a member of the Air Force core team. I've also participated in meetings with other center representatives to work on the AFMC implementation of PBC.

**Q: What factors are most important to the success of the AF PBC initiative?**

A. Leadership, leadership, leadership. AFSAC has been most fortunate to have forward-thinking leadership on this effort from the outset of our ABC journey. Brigadier General Riemer's interest and engagement in this latest phase has been a real boost. Grass-roots participation in identification and definition of activities is a real must. Finally, we have to make it easy to collect the data – not too many activities, clear definitions, clear guidance to the workforce.

**Q: What was the most significant lesson learned from the development of the AFSAC PBC model?**

A. Begin with the end in mind. If you don't know what you want to use it for or how you want to use it, you will have difficulty keeping to a course. Get as much input as you can from all levels of the organization – what questions do senior leaders, mid level management, supervisors and employees want to ask?

**Q: How do you envision the data from the PBC effort will be used in the future?**

A. Of course, AFSAC will use the data to develop the FY04 budget. We expect to use it in other ways as well. Cost data, work load data (how much/how many?), and performance data (how well, how fast, how often?) can be used together to identify high cost activities/processes that need to be streamlined and then tracked to determine whether implemented changes are producing the expected results. These same types of data can be used to identify whether or when strategies are approaching the point of diminishing returns. Once we gain experience with using these various types of data, we will have better

tools for identifying value added activities. Data will also be useful to both employees and management in justifying recommendations to automate selected activities and processes. At least, this is my vision. We still have many details to work out on exactly how to do this.

**Q: What do you expect will be the primary impact the PBC effort will have on the way you perform your work?**

A. My office is involved in strategic planning. I expect PBC to provide us with better data, as well as powerful tools to analyze that data, to guide our strategic planning efforts.

**Q: Do you have any advice to offer others who will get involved in the AF PBC modeling effort in the future?**

A. Plan carefully. Keep it simple. You need leadership engagement and grass roots buy in.

*Thank you, Ms. McCoy, for your patient support of the PBC modeling and integration efforts!*

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## Meet your Air Force KPMG Consulting Team



**Glenn Anderson III PBB**

Glenn is responsible for supporting SAF/IA, AFSAT, and SAF/FMBIS in achieving an efficient financial management business area. This support also includes sustaining the Performance Based Budgeting (PBB) Project.

Prior to joining KPMG Consulting in 2001, Mr. Anderson was employed by a consulting services firm as a financial analyst and a senior business analyst. During this time, Mr. Anderson worked on the Procurement Desktop - Defense Acquisition Business Solutions (ABS) project team supporting the Department of Defense. He was responsible for on-site functional and technical support for both the Navy and Air Force teams. Glenn was also responsible for designing and facilitating technical courses that were made available to all on-site government personnel. Finally, Glenn was responsible for reviewing site status reports to determine level of functionality as well as the type of support that was needed to ensure client satisfaction.

Glenn holds a bachelor's degree in Business Administration from Salisbury State University and is currently a member of the American Marketing Association and the American Management Association. His hobby is motorcycle racing.

## Answers

### Fallen Phrase Puzzle

***If managers are going to be held accountable for the achievement of targets, they should be given accurate information on the cost of their programs-- Bush Administration.***

Paraphrased from the Bush Administration's 2002 Budget